

City of Elyria, Ohio First-Time Homebuyer Assistance Program

Location: City-wide (No Target Area for this program)

Description/Purpose:

This program is designed to provide assistance with downpayment, closing and rehab costs to low and very-low income (at or below 80% of median) first-time homebuyers who purchase homes within the city of Elyria. First-time homebuyers are defined as those applicants who have not been owners of a home within the 3 years prior to the application date or who are single parents as defined by the HCDA of 1992. The program is restricted to one-unit dwellings which will be occupied by the applicant as their principal residence with ownership in fee simple title.

Pre-Purchase Counseling:

All program participants will be required to attend counseling sessions which focus on home maintenance and financial planning prior to selection of a lender, selection of a home and receipt of CHIP assistance. The following elements will be covered:

- ◆ The Homebuyer Decision
 1. Analyzing initial and long-term affordability
 2. Finding the “right” house
 3. Identifying the players
 4. Making an offer and signing the contract
 5. Shopping for financing and arranging insurance
- ◆ Budgeting and Credit Management
 1. Establishing a savings plan
 2. Setting goals
 3. Understanding credit
 4. Building and maintaining credit
 5. Understanding the consequences of default
 6. Understanding the pros and cons of refinancing
- ◆ Loan Closing Process
 1. Understanding pre-closing requirements
 2. Understanding loan closing documents
 3. Understanding the closing process
- ◆ Fair Housing – Potential Discriminatory Practices
 1. Lending
 2. Real Estate
 3. Insurance
- ◆ Home Maintenance and Repair
 1. Developing a “Maintenance Plan”
 2. Identifying problems and performing basic maintenance
 3. Understanding basic repair safety precautions
 4. Hiring and dealing with a contractor

In addition to the above, the City will send out a questionnaire three months after closing to assess the degree of success that participants are having with home ownership.

Post Purchase Counseling/Financial Review:

All purchasers will be required to attend an annual session on budget and credit management for a period of 5 years following the purchase of the home. The content of the session will be similar to the Budget and Credit Management Section outlined under Pre-Purchase Counseling above, however, it will be conducted on a one-on-one basis. Furthermore, failure to attend the sessions could result in the City’s loan being due and payable.

Housing Standards:

Chapter 1305 of the Elyria Codified Ordinances, known as the Elyria Housing Code, and OHCP’s Residential Rehab Standards will be the standards by which dwellings must comply under the First-Time Homebuyer Program. Inspections to verify compliance will be performed by inspectors from the City of Elyria's Office of Community Development. Also to be followed, are the U.S. Dept. of HUD Guidelines for Evaluation and Control of Lead-Based Paint Hazards in Housing.

Income Eligibility Guidelines:

Household income will be projected over a 12-month period **from** the date of application and must be within the "low and very low income" guidelines of the Cleveland-Lorain-Elyria PMSA as outlined below. Household income will be evaluated and calculated based upon Section 8 “Annual Income” as defined in the Section 8 Housing Assistance Payment programs.

All sources of income will be verified with documentation from the income source (i.e. pay stubs, statements from employers, bank statements, unemployment compensation statements, etc.) This documentation and an income summary sheet will be attached to the application and made a permanent part of the case file. Income limits, sources and documentation are as follows:

<i>Size of Household</i>	Income Limits							
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
Very-low Income (50% of median)	\$21,500	\$24,550	\$27,650	\$30,700	\$33,150	\$35,600	\$38,050	\$40,050
Low Income (80% of median)	\$34,350	\$39,300	\$44,200	\$49,100	\$53,050	\$56,950	\$60,900	\$64,800

Type of Income	Documentation
Wages & Salaries (gross, before deductions)	Pay stubs for four most recent pays, employer statement or computer printout of earnings
Public Assistance Benefits (OWF, PRC, Tanf, SSI, SSD)	Cash issuance history, current determination letter Current bank statement showing direct deposit of benefit
Self-Employment Revenue/income	Financial records indicating gross revenues and operating expenses, signed tax forms & schedules for the previous two years (contribution to private retirement plans, wages to household members, and property & equipment depreciation are not allowable deductions)
Social Security Benefits Government & Private Pensions Veteran's Benefits Workers' Compensation Unemployment Benefits	Current determination letters, current bank statement showing direct deposit of funds, statements from source
Alimony & Child Support	Statement from Bureau of Child Support, divorce decree, child support order
Dividends & Interest	IRS Form 1099, statement from financial institution
Rents & Royalties	IRS Form 1099, rent receipts, statement from tenant
Strike Benefits	Letter from Union

All income from all persons residing in the housing unit must be verified from independent source documentation. The date of any and all documents used in verifying income may not be more than 180 days prior to the date of the application for assistance. Applicants shall be required to disclose all assets on the application.

Household size is determined by counting the number of eligible household members residing in the unit. Individuals generally not counted as household members include: foster children, live-in aides and their children, unborn children and children being pursued for legal custody who are not currently living in the household.

Assets include savings accounts, Certificates of Deposit, stocks, bonds and other real estate. The maximum amount that an individual may have in total assets and still be eligible for the programs is as follows:

Homebuyer Assistance: No more than \$5,000 in assets may remain after closing

Client Selection Criteria:

The Homebuyer Assistance program will be operated on a first-come, first-served basis.

The minimum criteria that an applicant must meet are as follows:

1. Household income at or below 80% of median
2. Applicant cannot have owned a home within the three years prior to the application date, unless they are single parents as defined by the HCDA of 1992.
3. No applicant that is in the process of bankruptcy, default, unsettled divorce, judgement, protection from creditors, etc. shall be eligible for this program.

The applicant will submit to the City proof of First Time Homebuyer training, a pre-qualification/pre-approval letter or certificate from a lender indicating that they have been pre-qualified for a home mortgage loan and a purchase agreement signed by both the buyer(s) and seller(s). Upon receipt of these items, a complete income verification and housing inspection will be conducted to determine whether City approval can be given. Applicants may want to make their purchase agreement contingent upon receipt of City funds.

Limits of Assistance:

a. Minimum amount of assistance: \$1,000.00

b. Maximum amount of assistance: \$20,000.00 (Under no circumstances will this be exceeded.)

c. Walk-Away Policy: Because we will be working with applicants who are obtaining financing through local lenders, the income, lending and credit requirements of those lenders, along with the City's program requirements, create a built-in "walk-away" policy. Furthermore, the City will require that only applicants qualified for fixed rate loans or adjustable rate loans that meet the following criteria are eligible for the program. Adjustable rate loans must be fixed for the first five years of the term of the mortgage, must have an interest rate that cannot increase more than 1 percentage point in a single year, and must have an interest rate that cannot increase more than 3 percentage points, over the initial interest rate, over the term of the loan. Finally, one of the following situations must apply:

1. The dwelling must meet Chapter 1305 of the Elyria Codified Ordinances, OHCP's Residential Rehab Standards and HUD Guidelines regarding Lead-Based Paint at closing.
2. The dwelling may have **minor** deficiencies (as determined by the Office of Community Development) which the participant will agree to correct within 6 months of closing. The participant would be required to sign a Repair Agreement at closing.
3. The dwelling may have a major deficiency, or a combination of major and minor deficiencies (including lead-based paint deficiencies) which could be corrected by utilizing the balance of the \$20,000.00 available after the downpayment/closing costs have been satisfied, (as determined by the Office of Community Development). The participant would be required to correct the health and safety hazards (as determined by the Office of Community Development) prior to occupancy and other deficiencies within 6 months, through one of the following methods.
 - a. The participant obtains a purchase-rehab mortgage where the lender requires control of the rehab process and releases funds directly to the contractors upon completion of the work **or**
 - b. The participant enters into an Agreement, at closing, to:
 - 1.) participate in the Rehabilitation program utilizing the balance of the \$20,000.00 Homebuyer funds,
 - 2.) sign a mortgage for the necessary repairs, and
 - 3.) have all rehab completed within 6 months (or prior to occupancy in the case of health or safety hazards).

NOTE: Regardless of whether deficiencies are to be corrected prior to closing, prior to occupancy, or within 6 months of closing and regardless of who pays for any required repairs, the HUD Guidelines for Evaluation and Control of Lead-Based Paint Hazards in Housing must be followed. Furthermore, if lead-positive defective surfaces cannot be addressed, the City will not provide assistance for the purchase of that home.

All applicants must be able to provide a minimum of \$750.00 of their own funds toward the downpayment and/or closing costs to participate in the program. Furthermore, we will require that no more than \$5,000.00 in savings, checking, CD's, etc., remain after closing.

Finally, properties occupied by tenants will not be eligible unless the tenant is to be the purchaser of the property.

d. Reasonable Level of Assistance:

The City will require an estimate of costs from the lender (purchase price, downpayment, closing costs, etc.) so that we can determine the amount of funds that can be provided to the participant.

As already stated, we will require at least \$750.00 from the participant's own funds and that no more than \$5,000.00 in savings, checking, CD's etc., remain after closing.

Example	
Purchase price of house:	\$80,000.00
Total required at closing (downpayment, fees, etc.)	\$ 7,000.00
Less City's requirement of buyer's own funds	<u>-\$ 750.00</u>
	\$ 6,250.00
<p>If the homebuyer had \$3,000.00 in savings, before closing, then we would provide a loan for the \$6,250.00 still needed. Also, in this example, \$13,750 (\$20,000 - \$6,250) would be available for rehab of the home.</p> <p>If the homebuyer had \$8,400.00 in savings, before closing, then we would require that they pay \$3,400.00 at closing and we would provide \$3,600.00. Also, in this example, \$16,400 (\$20,000 - \$3,600) would be available for rehab of the home.</p>	

Finally, most banks are allowing low/mod income purchasers to use up to 33% of their gross income for housing as long as their total debt does not exceed 36%. However, it would obviously be more desirable to reduce the housing debt to 28%. Therefore, the City will also allow additional funds above those that are absolutely required to close the deal, if they are to be used for additional downpayment to reduce the monthly housing expense toward 28%. The \$20,000 limit cannot be exceeded.

Finance Mechanism, Recapture Provisions and Affordability:

The City will offer 0% deferred loans for downpayment, closing and rehab costs. The loan(s) will be secured by a mortgage, or mortgages, against the property which will be recorded with the Lorain County Recorder's Office.

As required by the home regulations to ensure affordability, the City must impose either resale or recapture requirements, at its option. The City has opted to recapture the entire amount of the loan(s) as allowed by the HOME regulations. Therefore, the full amount of the loan(s) will be due when the purchaser(s) are no longer the owner-occupant(s) of the property, whether due to

sale of the property, turning the property into a rental unit, in the event of the death of the owner(s), or simply vacating the property.

Insurance:

The prospective property Buyer must obtain hazard insurance on the dwelling unit in sufficient amounts to protect the Lender and the City. Flood insurance may also be required in some locations of the city of Elyria. Proof of homeowner's insurance with the City of Elyria as loss payee must be provided prior to closing.

Seller Notification Requirements:

The owner-occupant (Seller) who sells the property to a homebuyer is not eligible for relocation assistance under the Uniform Relocation Act (URA) as long as the Seller, prior to sale, is informed in writing:

- a. Of the fair market value of the property; and
- b. That the buyer does not have the power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable sale agreement.

The City or Buyer must provide the above information to the Seller for signature as soon as possible but no later than the transfer of ownership between Buyer and Seller.